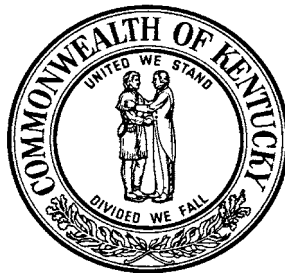


**REPORT OF THE AUDIT OF THE
ELLIOTT COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ELLIOTT COUNTY CLERK

**For The Year Ended
December 31, 2001**

The Auditor of Public Accounts has completed the Elliott County Clerk's audit for the year ended December 31, 2001. We have issued a qualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects, except for the effects on excess fees that the weaknesses in the design and operation of internal controls in the areas of Motor Vehicle Licensing and Delinquent Taxes that allowed a Deputy Clerk to manipulate and falsify reports and records of the Clerk's office.

Financial Condition:

Excess fees decreased by \$1,257 from the prior calendar year, resulting in no excess fees as of December 31, 2001. Revenues increased by \$10,838 from the prior year and disbursements increased by \$12,095. The Clerk has a deficit of \$17,020 as of December 31, 2001.

Report Comments:

- The County Clerk Did Not Publish Her Financial Statement As Required By Law
- The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- The County Clerk Did Not Keep All Invoices To Support Disbursements
- A Former Deputy Clerk Manipulated And Falsified County Clerk's Tangible Personal Property Receipts As A Result Of Lack Of Adequate Segregation Of Duties In The County Clerk's Office
- Lacks Adequate Segregation Of Duties
- The County Clerk Should Have Determined If Net Receipts Were Available For Her 2001 Statutory Maximum Salary
- County Clerk, Reeda Ison Should Have Avoided The Deficit of \$17,020 In The 2001 Fee Account
- The County Clerk Should Be More Timely In Preparing Her Reports And Paying Taxing Districts

Deposits:

The Clerk's deposits were insured and collateralized by Federal Deposit Insurance Corporation (FDIC).

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charles Pennington, Elliott County Judge/Executive

Honorable Reeda S. Ison, Elliott County Clerk

Members of the Elliott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Elliott County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The County Clerk has weaknesses in the design and operation of her system of internal controls in the areas of Motor Vehicle Licensing and Delinquent Taxes that allowed a Deputy Clerk to manipulate and falsify reports and records of the County Clerk's office. Because of the significance of the matters described, the scope of our work was not sufficient to enable us to determine that all unpaid liabilities have been accounted for. A change in these unpaid liabilities could affect excess fees due the fiscal court.

In our opinion, except for the effects on excess fees as discussed in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Charles Pennington, Elliott County Judge/Executive
Honorable Reeda S. Ison, Elliott County Clerk
Members of the Elliott County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The County Clerk Did Not Publish Her Financial Statement As Required By Law
- The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- The County Clerk Did Not Keep All Invoices To Support Disbursements
- A Former Deputy Clerk Manipulated And Falsified County Clerk's Tangible Personal Property Receipts As A Result Of Lack Of Adequate Segregation Of Duties In The County Clerk's Office
- Lacks Adequate Segregation Of Duties
- The County Clerk Should Have Determined If Net Receipts Were Available For Her 2001 Statutory Maximum Salary
- County Clerk, Reeda Ison Should Have Avoided The Deficit of \$17,020 In The 2001 Fee Account
- The County Clerk Should Be More Timely In Preparing Her Reports And Paying Taxing Districts

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, except for the effects of the matters discussed in the fourth paragraph is fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 24, 2003

ELLIOTT COUNTY
 REEDA S. ISON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 114,068

Usage Tax 204,676

Tangible Personal Property Tax 270,249

Licenses-

Marriage 1,244

Deed Transfer Tax 3,402

Delinquent Tax 17,996 \$ 611,635

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts \$ 5,242

Real Estate Mortgages 4,590

Chattel Mortgages and Financing Statements 17,972

Powers of Attorney 447

All Other Recordings 2,889

Charges for Other Services-

Candidate Filing Fees 2,400

Copywork 718 34,258

Other:

Miscellaneous \$ 2,047

Vehicle Transfer Registrations 1,007 3,054

Interest Earned

449

Total Receipts \$ 649,396

The accompanying notes are an integral part of the financial statement.

ELLIOTT COUNTY
 REEDA S. ISON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	87,150	
Usage Tax		197,562	
Tangible Personal Property Tax		93,182	
Payable to State for			
Tangible Personal Property Tax		7,240	
Licenses, Taxes, and Fees-			
Delinquent Tax		1,970	
Legal Process Tax		5,225	
		<u>5,225</u>	\$ 392,329

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	38,981	
Payable to Fiscal Court for			
Tangible Personal Property Tax		2,702	
Delinquent Tax		2,907	
Deed Transfer Tax		1,798	
		<u>1,798</u>	46,388

Payments to Other Districts:

Tangible Personal Property Tax	\$	106,858	
Payable to Other Districts for			
Tangible Personal Property Tax		9,583	
Delinquent Tax		6,559	
		<u>6,559</u>	123,000

Payments to Sheriff 1,018

Payments to County Attorney 2,422

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$	12,687	
Part-Time Salaries		5,460	

Employee Benefits-

Employer's Paid Health Insurance		4,986	
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Materials and Supplies-

Office Supplies		682	
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The accompanying notes are an integral part of the financial statement.

ELLIOTT COUNTY
 REEDA S. ISON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges-		
Contract Labor	\$	2,364
Filing Fees		180
Conventions and Travel		916
Dues		250
Postage		1,418
Refund for 2000 Account		1,422
Bank Debits		1,623
Miscellaneous		2,838
Printing of 2001 Tax Bills		<u>1,265</u>
	\$	<u>36,091</u>
Total Disbursements	\$	<u>601,248</u>
Net Receipts Before Training Incentive	\$	48,148
Less: Clerk's Training Incentive Pay		<u>2,189</u>
Net Receipts	\$	45,959
Less: Statutory Maximum		<u>55,467</u>
Excess Fees Due County for Calendar Year 2001	\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the year.

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured by Federal Deposit Insurance Corporation (FDIC).

Note 4. Subsequent Event

During the year under audit and continuing into 2002, a former Deputy Clerk of Elliott County was found to have manipulated and falsified tangible and personal property receipts. On March 21, 2003, the former Deputy Clerk pled guilty to theft by unlawful taking.

ELLIOTT COUNTY
REEDA S. ISON, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

For The Year Ended December 31, 2001

Assets

Cash in Bank	\$ 29,177
Deposits in Transit	<u>2,047</u>
Total Assets	<u>\$ 31,224</u>

Liabilities

Paid Obligations-		
Outstanding Checks	\$ 27,260	
Operating Disbursements:		
Withholdings	1,362	
Supplies	<u>97</u>	
Total Paid Obligations		\$ 28,719
Unpaid Obligations:		
State Treasurer-		
Tangible Personal Property Tax	\$ 7,240	
Elliott County-		
Tangible Personal Property Tax	2,702	
Other Taxing Districts -		
Tangible Personal Property Tax	<u>9,583</u>	
Total Unpaid Obligations		<u>19,525</u>
Total Liabilities		<u>\$ 48,244</u>
Total Fund Deficit as of December 31, 2001		<u><u>\$ (17,020)</u></u>

COMMENTS AND RECOMMENDATIONS

ELLIOTT COUNTY
REEDA S. ISON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

1. The County Clerk Did Not Publish Her Financial Statement As Required By Law

The County Clerk did not publish her annual financial statement. KRS 424.220 requires the County Clerk's annual financial statement to be published within 60 days after the close of the calendar year. We recommend the County Clerk publish her annual financial statement within 60 days after the calendar year.

County Clerk's Response:

Because there is no way we could complete without all records. The D. (deputy) Clerk seen to that by destroying forms and records.

2. The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court

The County Clerk did not present her annual settlement to the fiscal court. KRS 64.152 requires the County Clerk to present an annual settlement and to settle excess fees with the fiscal court by March 15th of each year. We recommend the County Clerk present her annual settlement to the fiscal court and pay excess fees by March 15th of each year.

County Clerk's Response:

We could not settle until the Bonding Company settles with us.

3. The County Clerk Did Not Keep All Invoices To Support Disbursements

The County Clerk did not keep all invoices to support disbursements. The Clerk should maintain documentation for all expenditures. In accordance with Funk vs. Milliken, documentation is necessary in order for disbursements to be allowable expenditures. Disbursements not supported by invoices may be disallowed and are subject to be repaid to the fee account from County Clerk's personal funds. We recommend that the County Clerk keep all invoices on file and that they be available to auditors for inspection.

County Clerk's Response:

As I stated before the D. (deputy) Clerk destroyed all types of records that we need.

ELLIOTT COUNTY
REEDA S. ISON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2001
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

1. A Former Deputy Clerk Manipulated And Falsified County Clerk's Tangible Personal Property Receipts As A Result Of Lack Of Adequate Segregation Of Duties In The County Clerk's Office

The County Clerk's office did not have adequate segregation of duties for tangible personal property tax transactions. As a result, a former deputy clerk was able to manipulate and falsify accounting records.

A former deputy clerk who collected tangible personal property taxes also posted tangible personal property receipts to the receipts ledger on a daily basis. In addition, the former deputy clerk prepared daily deposit tickets as well as daily cash checkout sheets. Our procedures revealed the former deputy clerk did not deposit all cash paid by customers for tangible personal property taxes. This improper disposition of monies collected caused the County Clerk to have \$12,642 in undeposited tangible personal property tax receipts. Had the County Clerk compared the daily tangible personal property tax reports generated by the revenue cabinet to the amount posted to the receipts ledger and the bank deposit ticket on a regular basis, the undeposited receipts could have been detected sooner. Responsibility for the custody of assets such as cash should not overlap with the accounting responsibility of posting to the receipts ledger and making deposits.

In order to help prevent future manipulation and falsification of tangible personal property tax transactions we recommend the County Clerk establish adequate segregation of duties. If adequate segregation of duties is not possible due to the limited number of staff in the County Clerk's office we recommend the County Clerk implement compensating controls. This requires the County Clerk to monitor and supervise the assigned responsibilities of the staff. These controls should be performed on a frequent basis in order to be effective.

County Clerk's Response:

The D. (deputy) Clerk would and did not fill out the deposit books. The (deputy) Clerk was told to stop doing the daily check out sheet. She would not come in early and have it done before office hours.

ELLIOTT COUNTY
 REEDA S. ISON, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2001
 (Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:
 (Continued)

2. Lacks Adequate Segregation Of Duties

The County Clerk's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend the following compensating controls be implemented to help offset this internal control weakness.

- The County Clerk should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. The County Clerk could document this by initialing the bank deposit, daily deposit, and receipts ledger.
- The County Clerk should compare the quarterly financial report to receipts and disbursement ledgers for accuracy. Any differences should be reconciled. The County Clerk could document this by initialing the quarterly financial report.
- The County Clerk should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The County Clerk could document this by initialing the bank reconciliation and the balance in the checkbook.
- The County Clerk should monitor and supervise the assigned responsibilities of her staff.

County Clerk's Response:

After the ordeal with our D. (deputy) Clerk we are more aware and have learned to not trust no one.

3. The County Clerk Should Have Determined If Net Receipts Were Available For Her 2001 Statutory Maximum Salary

The County Clerk did not maintain adequate records to allow us to determine if all receipts have been deposited or accounted for properly. Further it appears the County Clerk did not have enough net receipts to pay her statutory maximum salary. The County Clerk received \$49,904 in total salary for calendar year 2001. However, based upon available records, there were net receipts of only \$45,959 available to pay the Clerk's Salary. Therefore, the County Clerk received salary in excess of net receipts in the amount of \$3,945. This salary overpayment has contributed to the Clerk's total deficit of \$17,020.

County Clerk's Response:

Fonda Weddington, Sec. (secretary) for the Judge Executive, says she has to send a time sheet for our payroll each month. She sends a detailed sheet on how much to take out of our checks and how much to them for [sic].

ELLIOTT COUNTY
 REEDA S. ISON, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2001
 (Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:
 (Continued)

4. County Clerk Reeda Ison Should Have Avoided The Deficit of \$17,020 In The 2001 Fee Account

County Clerk Reeda Ison has a deficit of \$17,020 in her 2001 fee account. The deficit is due to undeposited tangible personal property tax receipts of \$12,642, the County Clerk having received salary in excess of net receipts in the amount of \$3,945, and an unexplained amount of \$433. We recommend the County Clerk deposit personal funds in the amount of \$17,020 to eliminate the deficit in the 2001 fee account. As of audit date the County Clerk has not eliminated the deficit in the 2001 fee account.

County Clerk's Response:

The County Clerk is working with the Bonding Company and they are to pay for the D. (deputy) Clerk's theft [sic].

5. The County Clerk Should Be More Timely In Preparing Her Reports And Paying Taxing Districts

The County Clerk has not been preparing reports or paying the taxing districts timely as required. The County Clerk is required to present her annual settlement to the fiscal court; for the calendar years of 1999, 2000 and 2001, she did not present her annual settlement as required. Also, the County Clerk is required publish her annual settlement in the newspaper for each calendar year; for calendar year 1999 and 2001, she did not publish her annual settlement. The County Clerk is required to pay delinquent taxes collected each month to the taxing districts. The County Clerk had not paid delinquent taxes for November 2000 as recommended by auditors for calendar year 2000. The County Clerk paid these amounts to the districts on May 16, 2003, as directed by the auditors. The County Clerk is also required to pay tangible personal property to the Revenue Cabinet on a monthly basis. The December 2001 tangible personal property taxes of \$19,525 have not been paid to the Revenue Cabinet as required. KRS 134.815(2) states that any county clerk who fails to pay over any taxes collected by him on motor vehicle shall be required to pay one percent (1%) for each thirty (30) day period or fraction thereof, plus interest at the legal rate per annum of such taxes. The County Clerk has also been told to keep all invoices for supporting documentation of expenditures. In the calendar years 2000 and 2001, all invoices were not made available to auditors.

The County Clerk is responsible for moneys collected from citizens of Elliott County and for disbursing these moneys to the appropriate entities. The County Clerk receives a commission on moneys collected to run her office and should pay the remainder to the taxing districts. We recommend that the County Clerk prepare her reports and pay taxing districts on a timely basis.

County Clerk's Response:

I have paid or ask for an extension if they were not paid on time.

ELLIOTT COUNTY
REEDA S. ISON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2001
(Continued)

PRIOR YEAR:

- The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- The County Clerk Did Not Keep All Invoices To Support Disbursements

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Honorable Reeda S. Ison, Elliott County Clerk
Members of the Elliott County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Elliott County Clerk for the year ended December 31, 2001, and have issued our report thereon dated June 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Elliott County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Clerk Did Not Publish Her Financial Statement As Required By Law
- The County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- The County Clerk Did Not Keep All Invoices To Support Disbursements

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elliott County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- A Former Deputy Clerk Manipulated And Falsified County Clerk's Tangible Personal Property Receipts As A Result Of Lack Of Adequate Segregation Of Duties In The County Clerk's Office
- Lacks Adequate Segregation of Duties
- The County Clerk Should Have Determined If Net Receipts Were Available For Her 2001 Statutory Maximum Salary
- County Clerk, Reeda Ison Should Have Avoided The Deficit of \$17,020 In The 2001 Fee Account
- The County Clerk Should Be More Timely In Preparing Her Reports And Paying Taxing Districts

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 24, 2003

